



Foreign Agricultural Service

**GAIN Report**

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## New Zealand

### Agricultural Situation

### Agribusiness Report - August

2001

Approved by:

**David Young**

**U.S. Embassy**

Prepared by:

Stephen Benson

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**Report Highlights: Strong research funding for superior sheep: up to NZ \$75 million (US \$32 million) will be spent on research in the next five years to create super sheep. South Island milk production grows: the South Island of New Zealand will see 157 new dairy conversions start producing from August after an investment of close to NZ \$500 million (US \$210 million). Kiwi scientists solve grape rot problem: New Zealand scientists have found a way to stop grapes from rotting on the vine. Foresters slate carbon trading deal: the forestry industry and the Government are at loggerheads over the benefits of the Kyoto Protocol.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Wellington [NZ1], NZ

**GENERAL*****Green light for Australian made energy drinks***

Along with strict new labeling standards for energy drinks, the Australia New Zealand Food Authority (ANZFA) this week approved the manufacture of the drinks in Australia. Until now, energy drinks sold in Australia have had to be made or imported via New Zealand because they have not complied with Australian food standards. While joint trans-Tasman standards have been developed by ANZFA, products could be sold in either country which complied with one or the other's existing regulations. The current NZ \$190 million (US \$80 million) market for energy drinks is expected to continue to show strong growth in the next few years. Ministers decided that energy drinks will be labeled 'this food contains caffeine' and 'this food is not recommended for children, pregnant or lactating women and individuals sensitive to caffeine'.

***ANZFA recommends green light for irradiation***

ANZFA (Australian New Zealand Food Authority) is set to recommend approval of an application for the irradiation of a group of raw foods. A revised application was lodged with the food standards body after an earlier request in May of last year. Eight weeks of public consultation from October to December led to ANZFA seeking further data from the unnamed applicant and a fresh application was received in April of this year. In a 100-page report on the application, ANZFA recommends that irradiation be approved under prescribed conditions where there is a demonstrated technological or food safety need. The prescribed conditions would include dosage, use of technology for defined purposes and food to be handled before and after irradiation according to good manufacturing practice. Irradiated food must be labeled as having been treated with ionizing radiation and several acceptable label wordings have been set. Submissions on the current ANZFA recommendations close on August 15 after which a final recommendation will be made to the Food Standards Council, comprising health ministers from New Zealand and Australia. The revised application currently under consideration covers herbs, spices, herbal infusions, peanuts, cashew nuts, almonds and pistachio nuts. ANZFA says, that should the council adopt its recommendation, it will undertake communication activities to assist consumers, industry and governments to access information about any approval, the process of assessing the application, the outcomes and other factual information relevant.

***National organic standard proposed***

Commercial organic producers have formed a new body to push for a national organic standard as one of its key aims. Organic Growers Inc. encompasses regional groups as well as national product groups spanning avocados, kiwifruit, pipfruit, olives, dairy produce and honey. The idea of developing national standards of organic production and certification is among the recommendations of a select committee review of the industry and would seek to remove confusion as to what is and is not organic.

***A biosecurity strategy for New Zealand***

The new Zealand Government is working in partnership with stakeholders and the public to develop a comprehensive biosecurity strategy by December 2001. Planning for the project commenced earlier this year, and the strategy is now in its first issues identification stage. The strategy development team is now collating and integrating all issues, which will form the basis of an issues paper for nationwide public consultation during October-December 2001. A draft Biosecurity Strategy will then be developed for a second round of consultation during May-July

2002. Both of these consultation rounds will involve regional workshops, hui (Maori meetings), and public meetings. A biosecurity website has been developed. The address is [www.biostrategy.govt.nz](http://www.biostrategy.govt.nz)

## **LIVESTOCK**

### ***Millions for research to create the superior sheep***

Up to NZ \$75 million (US \$32 million) will be spent on research in the next five years to create super sheep with more meat, better wool and better lambing rates, as well as being more healthy. A new biotechnology company 'Ovita' has been set up to develop and commercialize the full set of genetic characteristics of sheep. The improvements could see sheep farm incomes rise between 5 percent and 10 percent per year, as a result of more productive, faster growing and disease resistant sheep. Lambing rates average about 115 percent, but with genetic improvements could be lifted to 140 percent in five years. According to Meat N.Z., a 1 percent gain equals about N.Z. \$16.5 million (US \$7 million) in returns. Improved parasite resistance could add about N.Z. \$100 million (US \$42 million) a year to returns with just one kilogram a lamb increase in carcass weights. Ovita is a joint venture involving Ag Research, Meat N.Z., and the Wool Board. The research program has not been finalized but will focus on improvements in sheep reproduction, wool, hair and skin, animal health, including facial eczema and parasite resistance.

### ***Lamb tariff decision given more time***

New Zealand and Australia have agreed to allow the United States additional time to conclude an agreement with its sheepmeat industry which would result in the industry itself requesting that the safeguard be removed. The New Zealand Agriculture Minister stated on the August 14, that no further action would be taken by New Zealand or Australia against the United States until September 1. New Zealand could still take the case to arbitration but the Minister was quoted as saying they believe there are good prospects that it will not come to that.

### ***Richmond installs DNA traceability system***

A DNA based system capable of tracing meat from a pack of lamb cuts in a British supermarket back to different New Zealand farms is being installed in slaughterhouse Richmond's seven North Island meatworks. Agresearch Genomic Group, says the system has been applied to more than a million carcasses, without any alteration to normal cutting room procedure. Scientists have spent four years developing the Easi-trace system, which has been extensively tested with product taken from overseas wholesale stores. For the first time in the history of New Zealand's 150 year meat industry, product has been traced back from the market place to the farm of origin.

### ***Sow stalls out by 2012***

Delegates attending the New Zealand Pork Board's Annual General Meeting have voted to phase out the use of dry-sow stalls by 2012. While producers agreed that the practice of dry housing sows in stalls for their entire pregnancy was no longer acceptable, there was sound scientific evidence from an animal welfare perspective to support their optional use during the early weeks of pregnancy. Delegates voted to retain the option to use dry-sow stalls for a maximum of 4 weeks immediately after mating. The Board will consult further with interested parties and submit their recommendations to the National Animal Welfare Advisory Committee which is reviewing the Code of Animal Welfare for Pigs.

***Richmond to lift venison capacity***

Meat company Richmond is boosting deer killing capacity by 39 percent in its venison killing plant in preparation for strong growth in deer numbers in the next three years. The deer herd is expected to rise 12 percent a year for the next three years, according to game industry data. The deer industry is on a high with a 36 percent jump in export values in the past year. Venison exports were worth N.Z. \$226 million (US \$95 million) and velvet N.Z. \$36 million (US \$15 million). Deer numbers in New Zealand were estimated to be about 2.57 million in June, up 14 percent in a year, after a 13 percent rise in the previous year. From January to May, venison exports rose by 37 percent in volume and 93 percent in value over the same time last year. Exports of chilled venison rose by 48 percent in volume and 91 percent in value during that period.

**DAIRY*****South Island milk production grows sharply***

The South Island of New Zealand will see 157 new dairy conversions start producing from August after an investment of close to N.Z. \$500 million (US \$210 million). Ten years ago the South Island produced just 10 percent of all milk production, but by last year it had more than doubled to 25 percent, with another big boost this year. A typical South Island dairy farm will milk around 425 cows and cost around N.Z. \$3 million (US \$1.3 million) to convert. There are another 70 farms expected to start up in the South Island next year as the conversion of traditional sheep and beef farms continues. The new 157 dairy farms will add the bulk of about 20 million kg of extra milk solids production expected in the coming year (July 2001 to July 2002) adding about 2 percent to annual production which reached 1049 million kg last year.

***Research on Dairy Organics***

Massey University dairy cattle researchers are establishing the country's first organic dairy research farm. It will take three years to be certified to an organic standard, but once running it will be compared with an identical unit run on conventional lines to assess costs and yields. Not much research on organics was yet available to dairy farmers that needed to make informed decisions about the costs or effects of converting.

***Benefits seen in help for Chilean dairy farmers***

Crown research institute AgResearch is to try and help struggling subsistence Chilean dairy farmers get out of farming. After a ministerial trade mission to Chile, an AgResearch representative said he saw several opportunities for the Chilean dairy industry and to develop business opportunities for New Zealand. AgResearch had the resources to develop training programs with Chilean agricultural institutes and farmer organizations. It also saw opportunities to help in areas of research such as genomics and technology transfer. AgResearch could develop a pathway for New Zealand technology to get into Chile. Examples of this include, soil testing technology and services, pasture control and monitoring technology, forestry expertise, and financial engineering. The Governments of Chile and New Zealand have held discussions regarding a possible Free Trade Agreement but Chilean concerns over dairy imports have been a major stumbling block.

**HORTICULTURE*****Further delays for apple imports into Australia***

The Australian Government's announcement of a new procedure to consider whether to import New Zealand apples would inevitably lead to further delay of any final decision. Biosecurity Australia has announced it would set up a committee of experts to complete an import risk analysis of importing New Zealand apples. The make-up of the committee has yet to be determined, and when it is, stakeholders will have 30 days to comment on it and appeal any inclusions. The committee will then review all the previous information used in the draft import risk analysis report, and will then carry out a series of workshops about their review findings. The Agriculture Minister has said that all this would ensure is that there would be no final decision until after the Australian general election. New Zealand apples have been barred from Australia for nearly 80 years because of a perceived risk of transmitting fireblight.

### ***Deal to grow European apples in New Zealand***

A new Zealand company, Nelson Fruit Services has an agreement with Europe's Delbard nursery to be the sole New Zealand supplier of the apple for the European market. At this stage it is also the only southern hemisphere supplier of the apple to Europe, and New Zealand orchardists are being asked to grow supplies for sale during the European off season.

### ***Europeans set to take slice of apple market***

Two European groups have emerged to drive a wedge into the export market for apples in preparation for the sector's deregulation by Government at the end of this year. Dutch owned South African company Safe International Fruit Exporters is setting up a Hawkes Bay office to handle apples and pears it has contracted for next season. Millennium Foods, formerly Pandora Produce, is in the apple business after taking a french company as a partner.

### ***Big challenges for the wine industry***

Big challenges face the New Zealand wine industry, not the least being the threat of a glut of wine according to the head of the Villa Maria group. Forecast for the next wine vintage (2002) was up to 10 million cases. With domestic consumption remaining at about 4.5 million cases producers would have to find export markets for 5.5 million cases - about 4 times the current level of exports. Some producers could be forced to dump there wine overseas which could change the perception of New Zealand wine.

### ***Kiwi scientists solve grape rot problem***

New Zealand scientists have found a way to stop grapes from rotting on the vine - a problem that costs the global wine industry billions of dollars each year. Botrytis cinerea, commonly known as bunch rot or grey could, occurs in humid conditions and causes millions of dollars worth of damage to the New Zealand. A team of HortResearch scientists discovered the biological control agent (a tiny organism) which is completely organic. The organism controls botrytis without damaging the grape. An investment company is being set up to commercialize the discovery.

## **GRAIN AND FEED**

### ***Grain brain gain***

New Zealand crop researchers are allying themselves with their Australian counterparts, hoping to make the two nations a global player in the grain market. A new alliance labeled 'Auzgrainz' links the Commonwealth Scientific and Industrial Research Organization (CSIRO) plant industry

laboratories with New Zealand's Crop and Food Research for research, development and marketing. Australia's wheat industry alone is worth N.Z. \$5.6 billion (US \$2.4 billion) a year of which N.Z. \$4.8 billion (US \$2 billion) is exported. New Zealand's grain industry is worth N.Z. \$628 million (US \$264 million), but has considerable scope for developing niche market products. Already scientists from both organizations are looking at the traits they believe can be developed in grains, including disease resistance and the ability to grow in tough conditions.

## **FORESTRY**

### ***Foresters assess carbon trading deal***

The forestry industry and the Government are at loggerheads over the benefits of the Kyoto Protocol. New Zealand was expected to be one of the big winners from the Kyoto deal on cutting greenhouse emissions because of millions of dollars to be made from forests that absorb carbon from the atmosphere. However industry representatives have dismissed the idea that New Zealand could make an estimated N.Z. \$500 million (US \$210 million) from carbon trading, because of the estimated 130 million cubic meters of carbon absorbed by New Zealand's forests. Industry representatives, based on a private study, have stated that the carbon credits that some forest owners might be able to earn money on because they planted there trees after 1990 would be outweighed by the impact on their ability to add value to those trees in New Zealand through further processing (sawmilling and beyond).

### ***NZ \$50 million expansion plan***

Timber processing giant Japanese Juken Nissho has unveiled plans for an up to N.Z. \$50 million (US \$21 million) expansion to double the capacity of its New Zealand mill. Resource consent applications for the expansion, which could create another 70 jobs, have been filed.